

January 20, 2010

## **KANSAS STATE EMPLOYEES HEALTH CARE COMMISSION**

### **ECONOMIC IMPACT STATEMENT FOR PROPOSED AMENDMENTS TO K.A.R. 108-1-4**

#### **I. Summary of Proposed Regulation and Its Purpose.**

K.A.R. 108-1-4 establishes the eligibility requirements for non state public employees to be covered under the public employee component of the state's health care benefits program; i.e., the State Employee Health Plan (SEHP). K.S.A. 75-6508(a)(2) provides that the Kansas State Employees Health Care Commission (HCC) may designate by rules and regulations those groups which are qualified to participate in the SEHP. Currently, before a new type of non state public employer may join the plan, a regulation change is required. The new non state public employer group type must wait a minimum of six months after the HCC approves them for the regulation change process to be completed. To speed the process of bringing groups identified as eligible in K.S.A. 75-6508(a)(2) into the SEHP, the proposed regulation change would allow those groups identified in K.S.A. 75-6508(a)(2) to join once the HCC has voted to accept them as eligible non state public employer group types.

The proposed regulation change will also reduce the waiting period before new employees are eligible to participate in the SEHP from the first of the month following the completion of a sixty (60) day waiting period to the first of the month following the completion of a thirty (30) day waiting period.

Reducing the waiting period should decrease the need for waivers of the waiting period; therefore, the regulation is also being modified to limit waivers to situations where the prospective employee has no other health insurance available to them or is in need of coverage to fulfill the requirements to obtain a work visa.

For purposes of clarity, several technical corrections are also being incorporated into the regulation.

#### **II. Federal Law.**

This regulation is not mandated by federal law as a requirement for participating in or implementing a federally subsidized or assisted program and does not exceed the requirements of any applicable federal law.

### **III. Economic Impact.**

No economic impact on the general public is anticipated. The SEHP is a self-funded plan. Participating employers and employees pay monthly contributions into the SEHP fund. The cost/savings to an employee resulting from being able to enroll in the state plan earlier is unknown. This cost/savings would depend on what the employee was paying for health coverage prior to being employed by the non state public employer and enrolling in the SEHP. In most cases, we believe the employee will have reduced health care costs by joining the plan earlier since the employer pays the majority of the employee-only health plan coverage and pays, on average, fifty-five (55) percent of the cost for covering dependents. The contributions generated by employees are estimated at \$247,416.73 over the course of the year based on current contribution rates.

With the change in the waiting period, participating non state public employers and employees will be paying the plan contributions thirty (30) days earlier, so there will be additional cost to both. The SEHP estimates that this will result in an additional cost to participating public employers of \$433,246. The cost estimate assumes an additional twenty-nine (29) eligible employee each month enrolling in the health plan at a cost of \$466.32 each month, and twelve (12) of these employees each month will also elect dependent coverage at an additional cost of \$215.84 per contract. To develop the number of hires, we looked at the average number of benefits-eligible non state public employees hired during 2008 and estimated the same number for future years. The cost estimate is based upon the current composite rates charged to participating non state public employers and this cost will increase as the composite rate changes.

Looking at this on a per member basis, we estimate the average revenue (employer and employee paid contributions) generated by allowing members into the plan thirty (30) days earlier would be \$750.81 per newly hired and enrolled plan member. Based upon a review of the claims data, we estimate the claims cost during this thirty (30) day period would be \$597.05 per newly hired and enrolled plan member. Claims cost estimates are based on what is currently seen in newly hired plan members.

Allowing for the inclusion of the additional public employers as outlined in the statute may offer the opportunity to provide the eligible public employers and their participants with greater benefit levels and/or improved rate stability when compared to plans negotiated individually. However, the economic impact on the additional public employers and the participating employees will depend on what the current benefits and employer and employee contributions are under their current plans relative to the SEHP.

Certain administrative resources are required to enroll each new public employer group. These services include, but are not limited to, informational and enrollment meetings, contracting, membership forms and processing, and membership support, including customer service, maintenance of eligibility files, billing records, and reconciliation. Because there are units scattered over the state, there will be an impact on the existing staff resources required to travel throughout the state to enroll and service the new groups and to administer the membership of the public employee portion of the SEHP.

Additional staff may be required to provide membership, billing, enrollment, and ongoing customer service. In addition, the current membership system was not designed to support non state entities membership and is not capable of producing the necessary billing and payment functions. Billing functions are currently outsourced to a third party. As the number of non state employer groups covered under the plan continues to grow, this outsourcing is not an efficient way to handle the billing and payment functions. Kansas Health Policy Authority staff is evaluating additional computer software to handle these functions. The composite rate currently charged to non state employer groups includes administrative fees to help offset necessary travel and administrative costs associated with the non state employer pool. Therefore, an increase in the administrative fees applied to all non state employer groups may be required to support any additional staff and software purchases that may be needed due to the increasing number of groups.

#### **IV. Less Costly or Less Intrusive Alternatives.**

No other less costly or less intrusive alternatives to the proposed amendments were identified.